



Business and Finance News

The California State University
• Business and Finance Division •

Richard P. West, Executive Vice Chancellor and Chief Financial Officer

NEWS FROM THE DEPARTMENTS

September 2004



BUDGET DEVELOPMENT

Patrick Lenz, Assistant Vice Chancellor

The Senate and Assembly leadership came to an agreement with the Governor that was subsequently adopted by the two-house budget conference committee. This agreement rejected the Administration's recommendation to redirect 3,800 first-time freshmen from the CSU to the community colleges by providing a budget augmentation of \$21.3 million. As part of this specific recommendation, the conference committee adopted budget bill language requiring the CSU, and requesting the UC, to establish a systemwide dual admissions program where students could voluntarily attend a California community college, get their community college fees waived, and subsequently be admitted to the CSU (and the UC).

The leadership agreement with the Governor also provided an additional \$12 million to fund student access and \$7 million for outreach programs, academic preparation, and the Educational

Opportunity Program (EOP). The \$7 million, added to the \$45 million that CSU was redirecting for these programs, allowed the CSU to fully retain the \$52 million that was proposed for elimination in the Governor's January budget.

While the CSU was provided with \$40.3 million for enrollment and outreach programs, academic preparation, and EOP, it should be recognized that the net fiscal impact to the CSU in the 2004-05 fiscal year resulted in a loss of \$157 million versus the prior year's budget. Given the 2004-05 budget reductions and budget cuts from the prior two fiscal years, the CSU is still facing a net fiscal impact of \$524 million.

The Compact Agreement for Higher Education which starts in the 2005-06 fiscal year will begin the recovery efforts to reinvest in the California State University. The 2005-06 CSU Budget assumes a 3 percent base state General Fund increase, funding for 2.5 percent enrollment growth, and an 8 percent increase in undergraduate student fees as represented in the Higher Education Compact. The budget is likely to include a set-aside of 25 percent from new student fee revenue for State University Grants. Given the state's fiscal condition, it is uncertain if the Governor or the legislature will be able to address additional long-standing fiscal issues within the CSU above the agreed Compact amount.

BUSINESS PLANNING & INFORMATION MANAGEMENT

Lenore Rozner, Assistant Vice Chancellor

Quality Improvement Biennial Report Draft – The Quality Improvement Biennial Report draft campus submissions will be distributed in September to campus Quality Improvement Facilitators for review and approval. Campuses will be given a

limited time to review their submissions and make any modifications. The report will be released in early November. For more information, contact Briana Anderson at banderson@calstate.edu or (562) 951-4552.

Quality Improvement Awards: The recipients of the annual Quality Improvement Awards were announced in the August edition of the Quality Improvement E-Newsletter. These individuals and teams are recognized for their extraordinary efforts – often beyond the requirements of their regular job assignments – to promote continuous improvement in CSU operations. The Quality Improvement Facilitator of the Year is Ms. Sarah Whyte, CSU Sacramento. Other awardees and their accomplishments can be seen in the August newsletter by going to www.calstate.edu/qi and clicking on “Newsletters”.

Matthew Ceppi
Acting Manager, Quality Improvement Program

CAPITAL PLANNING, DESIGN AND CONSTRUCTION

Elvyra F. San Juan, Assistant Vice Chancellor

CSU Capital Training Program: The CSU Facilities Management Institute is finalizing the 2005 Capital Training Program calendar. While many of the offerings are the same or similar to recent sessions, there will be a few changes to integrate training needs and respond to attendees’ comments. The well-received training for campus financial staff (Finances of Non-state Bond Funded Capital Projects) conducted in September 2003 and training for the Space and Facilities Database (SFDB) will be slated on the Institute’s program calendar for the first time. The calendar will be posted on the website later this month.

CPDC will be hosting a systemwide facilities planning and management conference next year. Please reserve August 6 – 10, 2005 for this important event. Sustainability will be a significant element of the conference, both as an individual study and woven into the design, construction, and maintenance of our facilities. More detailed conference information will soon be forthcoming.

Nancy Freeland-Paice, Executive Program & Fiscal Manager

FACILITIES PLANNING

The 2005/06 State and Non-state Funded Capital Outlay Program and the 2005/06 through 2009/10 Five-Year Capital Improvement Program is proposed for approval by the trustees at the September 2004 board meeting. The 2005/06 program supports over \$289 million for state funded projects, including \$16 million for Minor Capital Outlay projects and \$26 million for Capital Renewal projects. Funding for the 2005/06 capital program was included in the Proposition 55 general obligation bond measure of March 2004.

The budgets included in the 2005/06 Capital Outlay Program reflect a significant escalation in the cost of building materials over the past year, reinforced by the California Construction Cost Index increase of 5.5%. In addition to rampant building cost escalation, university facilities are impacted by a loss of useable classroom and office space necessitated by compliance with building code changes related to accessibility and telecommunications standards. As a result, the Facility Cost Guide for the 2006/07 Capital Outlay Program will include a reduction in building efficiencies by 2% for classrooms and 3% for laboratories.

The Governor’s Higher Education Compact with the CSU and the UC supports future capital outlay funding from general obligation bonds to finance high priority facility projects. The CSU’s 2006/07 state funded program is proposed to be funded from a new general obligation bond slated for a March or November 2006 ballot initiative.

Larry Piper, Chief of Facilities Planning

LAND USE PLANNING AND ENVIRONMENTAL REVIEW

On May 11, 2004, the Governor issued Executive Order S-10-04, also known as the California Performance Review (CPR), which promotes proactive real property asset management for the State of California. This resulted in not only the annual reporting deadline being moved up, but also additional reporting requirements being added to the Department of General Service’s (DGS) Statewide Property Inventory (SPI). The SPI previously included all real property and structure data, and now also requires that CSU report data on leased property. Thanks to the efforts of Contract Services & Procurement (CS&P) staff, CPDC’s Space Management staff, and the great cooperation from

the procurement and planning staffs at the campuses, the reports were submitted on time. As soon as DGS sends the requirements for reporting new lease data throughout the year, CS&P will update the lease procedures for the campuses.

An accurate picture of the CSU's property is very important in view of the state's increased effort to identify surplus property. While the CSU does have undeveloped property that may appear as surplus to others, it has been master planned by the trustees for the necessary accommodation of planned growth and future use. An accurate SPI helps to give a clear picture of this.

The July 21, 2004 CPDC Conference on Faculty/Staff Housing, held at CSU Channel Islands, was well attended by 29 conferees representing 10 campuses and the Chancellor's Office. The agenda included an open forum discussion of campuses' needs for affordable housing near the campus and the experiences of those involved in the 900-unit University Glen development at the Channel Islands campus. Attendees also toured the partially completed housing development and the new student housing facility. Below market price housing for faculty and staff is a topic of significant interest on many CSU campuses, given the tight housing market in most areas of California and the affordability range for newly recruited faculty and staff.

David Rosso, Chief of Land Use Planning & Environmental Review

ARCHITECTURE & ENGINEERING

Update to Seismic Retrofit Listing May Shake Up Future Capital Project Priority Lists: Per trustee policy, CPDC maintains a Seismic Priority Ranking for all campus buildings. This list seeks to assess a building's probable performance in a significant seismic event coupled with the likelihood of seismic activity occurring at a particular campus location. This listing is one of the criteria used in determining the ranking order for future state project funding. To ensure that it accurately reflects current conditions, site knowledge and building code retrofit requirements, Seismic Review Board members will be visiting each campus over the upcoming months to confirm and update this listing.

Since the adoption of the CSU Seismic Policy in December 2000, the majority of the more than 200 buildings initially identified as potentially hazardous have been retrofitted, and only eight priority

buildings remain to have retrofit design initiated. CPDC is working to mitigate these remaining hazards. All significant life-safety threats posed by falling hazards at all 23 campuses and off-campus centers have been mitigated.

Tom Kennedy, Chief of Architecture & Engineering

PLANT, ENERGY AND UTILITIES

New Energy Efficiency Goals set by the CPUC: On August 3, 2004, the California Public Utilities Commission (CPUC) issued a draft decision that would establish electricity and natural gas savings goals for California's four investor-owned utilities (IOUs) beginning in 2006. The IOUs would have to achieve total electricity savings of 1,816 megawatts by 2010. The decision would also establish three-year energy efficiency planning and funding cycles, with the first cycle starting in 2006. September 12 – 17 is California Energy Efficiency Week Flex Your Power, the organization that has been helping Californians use energy wisely since 2001, has initiated a statewide awareness program, "Flex Your Power Now. It means California's peak energy demand is high and everyone needs to take action now!" Source: <http://www.fypower.org/index.html>. Many CSU campuses are currently participating in the statewide demand response programs via the systemwide contract with Celerity Energy Partners.

Call for Monitoring Based Commissioning Projects: The UC/CSU/IOU Energy Efficiency Partnership launched the program earlier this week with a call for Monitoring Based Commissioning Projects. The application documents and qualification process steps were emailed to the campus energy coordinators Tuesday, August 24, 2004. Application paper work must be filed by September 29, 2004 to Len Pettis, Chief of Plant, Energy & Utilities. The program pays up to \$100,000 for 1 – 3 inefficient buildings to be re-commissioned. The funds can be used for purchasing and installing metering and monitoring equipment, training, and hiring a commissioning agent to assist with the re-commissioning and continuous monitoring of campus facilities.

Enron Bankruptcy Update: CSU's external counsel for the Enron Bankruptcy case has informed CPDC that Enron is in negotiation and possible settlement with some of its former customers.

However, the UC/CSU contract with Enron for electric commodity is materially different than Enron's standard contracts with other customers, so it is unclear when CSU's case will come before the court. CPDC will re-issue the campus audit results for the former Enron accounts this month.

Len Pettis, Chief of Plant, Energy, & Utilities

FINANCIAL SERVICES

Dennis Hordyk, Assistant Vice Chancellor

CONTRACT SERVICES AND PROCUREMENT

- **Tax Exempt Equipment Financing Services; CS&P Bulletin 04-05 (supersedes 96-06);** these agreements have pre-established contract terms and conditions with lease financing service providers for tax exempt lease financing which allows a campus to secure financing services for various types of essential use equipment at competitive interest rates and transaction terms.
- **Plan Check MEA, Amendment 1; CS&P Bulletin 04-09;** extends MEA agreements CN006321 through CN006324 for an additional one year term. Provides revisions/replacements to Rider A-1, Rider A-2, and Exhibit A.
- **Seismic Peer Review MEA, Amendment 2; CS&P Bulletin 04-10;** extends MEA agreements CN006275 through CN006280 for an additional one year term.

A Master Agreement (40370) with Oracle Corporation was executed on August 31, 2004. The Agreement governs the terms, conditions and forms under which the CSU may order Oracle software licenses, software maintenance, technical support, professional services and related services. Term of Agreement is from August 31, 2004 through August 30, 2010. CS&P Bulletin to follow.

CSU Buy Recycled Report FY 03-04: Thanks to the hard work by campuses, the CSU's buy recycled product efforts have again met and exceeded the legislative mandate of 50%. Our systemwide average was 67%. Call Eddie Choy (562-951-4592) for more information. CS&P Bulletin to follow.

The Procurement and Support Services Officers Association will be holding its quarterly meeting

September 22 & 23 at the Doubletree Hotel, San Francisco Airport.

Further information can be obtained at: <http://www.calstate.edu/csp/> or by contacting Pat Dayneko @562-951-4595.

FINANCING AND TREASURY

Student Union Decentralization Training Workshops: Financing and Treasury is offering a training workshop to familiarize campuses and eligible student unions with Student Union Decentralization concepts and procedures. Topics include impacts of the Systemwide Revenue Bond Program and Executive Order 876 on campuses and unions, changes on the annual PFA memo and updates on current requirements for construction projects. For the convenience of campuses, two sessions will be offered. Session I will be held at the Chancellor's Office, Dumke Auditorium, on September 21, 2004, from 12:30 p.m. to 4:30 p.m. with presenters Rosa H. Renaud (F&T) and Lawrence Gutierrez (Systemwide Financial Operations). Session II will be at the San Francisco Sheraton Gateway Hotel on September 30, 2004, from 12:30 p.m. to 4:30 p.m. with presenter Rosa H. Renaud onsite and Systemwide Financial Operations staff available via conference call.

Please contact Rosa H. Renaud or Angelique Sutanto for questions on workshop content, and Semone Simmons with questions on registration at (562) 951-4570.

Colleen Nickles, Senior Director

RISK MANAGEMENT

Government Claims: Senate Bill 1102 was pushed through as trailer bill language added to the Budget Act of 2004. This bill amended Government code sections 900 - 905 and made significant changes to the government claims program. The bill was chaptered on August 16, 2004 and became effective as of August 17, 2004.

The significant changes to the government code, which affects the filing and processing of government claims, are as follows:

- For all claims filed as of August 17, 2004 a filing fee of \$25.00 is to be paid by the claimant to the Victims Compensation and

Government Claims Board (VCGCB) at the time they file their claim. The refund of the fee will be the responsibility of the state entity (the CSU campus) that pays the claim.

- When/if the Board approves an award on a claim filed against a state entity, the entity will be required to pay a 15% surcharge on that award to support the Government Claims Program.
- A claim against a state entity must be submitted on the new government claim form provided by the VCGCB.

The new web site for the VCGCB can be found at: www.governmentclaims.ca.gov. The new form and all the information and directions for the form are at that web site.

Workers' Compensation: The California Supreme Court ruled in late August that absent a specific intent to release civil causes of action in a Compromise and Release document, that C&R document releases ONLY the workers' compensation case

This is an important reminder that the language used to settle a work comp claim with a Compromise and Release be very specific as to the intent of the settlement agreement. Training and additional information will be provided to campus workers' compensation coordinators as well as the adjusters who administer CSU workers' compensation claims.

Insurance Premium Rates: The insurance premium rates for 2005/06 will be released in October. Also, campuses will be able to select their deductible for the 2005/06 to 2007/08 timeframe.

Charlene Minnick, Director

SYSTEMWIDE FINANCIAL STANDARDS AND REPORTING

FIRMS submissions for the 4th quarter of 2003/04 went very well with improvements in both timeliness and accuracy of data. Most campuses submitted their pre-closing data before the August 2 due date, and all campuses completed submission in time for the Chancellor's Office to submit the systemwide consolidated reports to the State Controller's Office before the due date. (The timeliness of the campus submittals allowed the Chancellor's Office as an entity to close its books earlier than in the past since

the C.O. has to review and reconcile with the campuses' data before it closes its books.) Expanded use of the automated edits, review of the quarterly submissions, and communication to the campuses on relevant issues throughout the year contributed to the improvements in data submission.

As soon as the legal basis FIRMS submission is completed, the process of preparing GAAP (Generally Accepted Accounting Principles) financial statements is started at all campuses and the C.O. The GAAP reporting package from each campus is due to the Chancellor's Office by October 25 this year, and the CSU systemwide financial statements will be issued before the January Board of Trustees meeting. The Statement of Cash Flows for auxiliary organizations will not be required in the CSU systemwide financial statements this year. As this will be the third year that financial statements are prepared using the GASB 34/35 model, it is anticipated that the process will go very smoothly.

George Ashkar, Director

INFORMATION TECH. SERVICES (ITS) *David Ernst, Assistant Vice Chancellor*

TECHNOLOGY INFRASTRUCTURE SERVICES

New Programs for a new Era: Since 1998, the Technology Infrastructure Initiatives (TII) has assisted the system-wide development of the computer network infrastructure that provides connectivity across the campuses and between the campuses and the outside world. To keep pace with changes in technology and the needs of its user community, TII has undergone a dramatic transformation. This year the department was restructured and renamed Technology Infrastructure Services (TIS) to reflect a foundation of integrated services rather than a sequence of initiatives. While its mission is still "to provide a reliable, secure technology infrastructure," TIS will no longer operate 4CNet, the University's wide area network. Furthermore, a number of new programs have been introduced that will bolster support to the campuses as the organization moves into its next phase.

Migration to High Capacity Wide-Area Network: The evolution of technology has allowed for more robust and cost effective ways to provide the CSU system with wide-area network access. As a result, in 2003 the CSU began to transition to the new California Research & Education Network (CalREN)

built in partnership with the Corporation for Education Network Initiatives in California (CENIC) and educational institutions across the state. Migration to the CalREN optical network is now complete and will allow for a four-fold increase in network capacity while generating a savings of approximately \$3.1 million over the next five years. TIS will continue to serve as the liaison to CENIC, representing the Chancellor's Office and the campuses on system-wide initiatives pertaining to video conferencing, internet access, and wide-area network services. TIS staff will also manage a project to upgrade connectivity between the CSU campuses and the CalREN backbone.

Refresh Campus Electronics Through 2014: TIS will continue to manage a system-wide program intended to provide each CSU campus with a high capacity, high availability telecommunications network in support of each institution's academic and administrative program. The infrastructure build-out is now in its third year. Six campuses have completed the project, 5 campuses are in the implementation phase, and 11 campuses are in the late stages of the planning and design process. Early in 2006, all campuses will have a network infrastructure that meets or exceeds the CSU baseline requirements. By standardizing on one vendor, Cisco Systems, and coordinating the project centrally, TIS was able to generate \$5 million in savings in product discounts last year. Plans have been developed which will continue to refresh these network electronics through 2014.

Sophisticated Tools Monitor Network Performance: Representing one of the largest deployments of a network management system in the country, TIS has implemented a program at each campus that will help forecast system needs and improve network performance. Included are monitoring systems at each campus and a centralized database to monitor and analyze network performance trends system-wide. TIS also provides campuses and other clients with the ability to access these tools remotely. These tools are part of the broader multi-phase program that will create a "standard operating environment" for network infrastructure. This will ensure a more stable, consistent environment and result in improved network performance.

Former Network Operations Facility Provides Support to Campuses: The transition of wide-area network services to CENIC provides the CSU the opportunity to leverage its carrier-class data center at

the WestEd facility in Los Alamitos and an experienced team of engineers to provide new services. A Testing and Evaluation Center will allow system-wide technology groups and campus technical staff to test new network products, upgrades, and equipment in a controlled environment that simulates the standard network environment. This facility accommodates testing and training on-site or via remote access. In addition, early next year TIS will begin expansion of the co-location facility to interested campuses seeking redundant hosting for their servers and data.

Securing the Network Infrastructure: Because the security of the CSU network is at the forefront of TIS' concern, a pilot program has been developed that will integrate firewall technologies into the standards for network environments. TIS will work closely with the new Senior Director for Information Security to test and implement tools that will proactively assess vulnerabilities and detect security breaches. In conjunction with experts from the Carnegie Mellon University Software Engineering Institute, TIS will support a new program that will develop campus-based teams to handle computer security incidents and provide related training to campus staff.

Identity Management Program Is Launched: The Secure Identity Management Infrastructure (SIMI) initiative is a policy and technology framework that will enable online transactions between the University and members of the University community, and between the University and other institutions such that institutional data is protected from unauthorized access and personal privacy is maintained. Supported by broad-based campus participation, SIMI is intended to guide each campus in the development and deployment of a set of identity management tools. In addition, SIMI will establish policy bodies composed of academic, administrative and technology leaders from the campuses and the Office of the Chancellor, charged with coordinating the development of system-wide identity management policy and practice.

ACADEMIC TECHNOLOGY SERVICES

Academic Technology Initiatives

1. Foundational Skills: Part 1 –The Math Success Website

The CSU Math Success Website will be open August 30, 2004. The URL for the site is: www.csumathsuccess.org. CSU Systemwide has

negotiated the systemwide contract for ALEKS: \$35 for 18 weeks of access (student paid) for the ELM tutorial.

2. E-Learning Framework Initiative

Will enable faculty, staff, and students to effectively use academic technology content and tools in their courses to produce desired teaching and learning outcomes. Includes CSU library services, digital libraries (e.g. MERLOT), and CMS-PeopleSoft.

Accomplishments:

- MERLOT integration into student and faculty research and learning technology environments
- WebCT – signed agreement; easy discovery of WebCT ready materials; web services, ePac marketing, showcasing online course development using MERLOT resources
- Blackboard – agreement in progress; Web Services
- Desire2Learn – discussion underway
- MERLOT provides RSS feeds and Web Services (Search Services) for campus website integration
- Sentient Discover: Integrates CSU electronic core collection and MERLOT into WebCT and Blackboard. Leverages CSU investments in Metalib and SFX for integrating access to CSU library collections and MERLOT into Blackboard and WebCT
- Sentient Discover proposal on table for systemwide, progressive integration.
 - Extensive field testing at CSU Fullerton
 - Interest expressed by many other campus
 - Putting offer together for campuses
- Planning for systemwide LMS “strategic planning” underway. Glenda Morgan, new Director of Academic Technology Initiatives will be CO facilitator.

3. Digital Marketplace Initiative

Reduces cost and increases convenience/usability of academic technology content and tools

Accomplishments:

- Proposals accepted from RFP 1.0; forming steering committee to review proposals.
- Redefined SWAT II process

4. Student Success Initiative

Provides students and CSU staff access to accurate and timely degree audits to improve academic advising and student decisions.

Accomplishments:

CSM-PeopleSoft is implementing the degree audit functionality in the Student Administration Module at CSULB, Sonoma.

COMMON MANAGEMENT SYSTEMS (CMS)

CMS Leadership Changes: The Chancellor's Office has recently announced a reorganization of several key management positions within the Common Management System project. Blaine Wright has been appointed to the key leadership position as CMS Senior Director, and Jessie Lum to the position of Software Operations and System Support (SOSS) Director.

Finance 8.4 Campuses Live!: Bakersfield, Humboldt, San Francisco and San Marcos, recently went live with the Accounts Payable, General Ledger, and Purchasing modules of Finance 8.4. Seven campuses have now implemented or upgraded to the new web enabled Finance 8.4 product.

Student Administration Milestones Continue:

Significant accomplishments with the ongoing use of the Student Administration application at Fresno continues with the most recent milestone of the disbursement of Financial Aid checks via PeopleSoft for 7000 students, which is a 52% increase in aid from last year. Additionally, Fresno has implemented e-mail only notifications to the student population and disenrollment of students for non-payment.

- Long Beach also continues to take advantage of the Student Administration functionality with the successful completion of Fall 2004 first Financial Aid disbursement with 25,384 awards totaling over \$34.6 million to 10,966 students.
- Pomona went live with PeopleSoft registration in Spring and will go live with web grading in Summer.
- Sonoma has successfully completed their fifth registration cycle using PeopleSoft.

GOVERNMENTAL AFFAIRS

Karen Y. Zamarippa, Assistant Vice Chancellor

Copies of CSU Legislative Reports and other legislative information pertaining to the CSU are available on the OGA website at: <http://www.calstate.edu/oga>

The Business and Finance Newsletter is accessible
at:

www.calstate.edu/BPIM/Newsletters/NewsLet.shtml

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